PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

REJECT CARBON TAXES AND CAP-AND-TRADE

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ADVANCING AMERICAN FREEDOM

TOPLINE: Lawmakers should reject all carbon taxes and cap-and-trade schemes.

BACKGROUND: Policymakers have devised many schemes to tax carbon and other greenhouse gases (GHGs). They typically involve one of two approaches (or a hybrid):

1) Set and charge a price per unit of emissions; or
2) Set maximum quotas for the quantity of emissions, then have businesses purchase and/or trade the rights to emissions allowances (i.e., cap-and-trade programs).

Some schemes, like the *Regional Greenhouse Gas Initiative (RGGI)* cap-and-trade system in the Northeastern U.S., are limited to certain utilities and energy generators. Others, like **California**'s and **Washington**'s systems, apply to more sectors, including transportation, mining, and manufacturing. Accurately measuring emissions throughout the economy would be highly data-intensive and prohibitively expensive. Broad carbon schemes may resort to crude estimation or face "leakage," where production simply moves to where it's less regulated and dirtier (e.g., China).

European Schemin': All 27 members of the European Union (EU) take part in its *Emissions Trading System (ETS)*, a cap-and-trade program that applies to power generation and heavy industry. In addition, most European countries apply *carbon taxes* (up to €146.23 per metric ton) that may apply to more sectors. As of 2026, the EU has begun imposing a *carbon border adjustment mechanism (CBAM)* that, when fully implemented, could apply to several hundred products entering European countries, based on the estimated lifecycle emissions associated with those products.

Action Items (Congress and States):

- **States shouldn't participate in carbon pricing schemes** like the RGGI.
- **Congress should reject calls for a carbon tax or cap-and-trade** and should actively **fight against attempts to impose a global carbon tax or CBAM**.
- **Congress should remove funding from global bodies that actively promote CBAMs** or other global carbon tax regimes.

Putting a Price on Carbon Makes Life Less Affordable:

- Carbon taxes and other schemes raise energy and production costs and reduce the affordability of fuel, electricity, buildings, vehicles, food, appliances, and more.
- In the 37 states that didn't have cap-and-trade in 2024, average electricity prices were *11.2* cents per kWh, compared to *19.9* cents in cap-and-trade states.
- Europe's electricity prices are more than double U.S. electricity prices, even though Europeans use about half as much electricity per capita as Americans.

Related Legislation: UNtaxed Act (S. 3276, H.R. 5888).

BOTTOMLINE: Carbon taxes and cap-and-trade programs are inherently flawed and arbitrary, as the net societal cost (or benefit) of a unit of CO_2 is unknowable.